

Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 L-03 H-01 PA-01 PRS-01
/059 W

-----079259 210407Z /45

R 201150Z JAN 78
FM AMEMBASSY KINSHASA
TO SECSTATE WASHDC 7771
INFO AMCONSUL BUKAVU
AMCONSUL LUBUMBASHI

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DEPT PASS COMMERCE

E.O. 11652: N/A
TAGS: EFIN CG
SUBJECT: GOZ COMMERCIAL DEBT - INTERNAL RESCHEDULING

BEGIN UNCLASSIFIED

1. THE ZAIRIAN GOVERNMENT RECENTLY ANNOUNCED PLANS FOR A UNILATERAL CONSOLIDATION OF ALL ARREARS ON INTERNAL COMMERCIAL DEBT FOR THE PERIOD 1970-76. ACCORDING TO A NEW LAW SIGNED 29 DEC 1977 AND PUBLISHED 9 JAN 1978, ALL STATE OBLIGATIONS TO COMMERCIAL ENTITIES IN ZAIRE CONTRACTED BETWEEN 1 JAN 1970 AND 31 DEC 1976 THAT ARE STILL OUTSTANDING WILL BE CONSOLIDATED. THIS WILL INCLUDE NOT ONLY THOSE PURCHASES ACTUALLY BUDGETED FOR, BUT ALSO THOSE PURCHASES FOR WHICH THE GOVERNMENT AGENCIES HAVE ACKNOWLEDGED RESPONSIBILITY EVEN THOUGH THERE WAS NO BUDGET AUTHORIZATION. AIR ZAIRE, ONATRA, AND OTCZ ARE SPECIFICALLY EXCLUDED FROM THE CONSOLIDATION.

2. THE GOZ PLANS TO ISSUE TREASURY PAPER TO THE VARIOUS
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CREDITORS IN THE AMOUNTS OWED THEM MINUS THE VALUE OF THEIR OUTSTANDING OBLIGATIONS TO THE GOZ (CUSTOMS, INCOME TAXES, ETC.). THESE CERTIFICATES WOULD BE RETIRED OVER EIGHT YEARS, INCLUDING A THREE-YEAR GRACE PERIOD, AT SIX PER CENT INTEREST FROM 1 JAN 1978. PAYMENTS WOULD BE MADE SEMI-ANNUALLY. THE CERTIFICATES WOULD BE FULLY DISCOUNTABLE. END UNCLASSIFIED
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3. COMMENT: THE ANNOUNCEMENT OF THE CONSOLIDATION WAS GREETED BY THE AMERICAN BUSINESS COMMUNITY HERE WITH A NOTABLE LACK OF INTEREST. SEVERAL FIRMS (SUCH AS WARNER-LAMBERT AND MIDEMA) HAVE LARGE OUTSTANDING AMOUNTS THAT WOULD FALL INTO THIS CATEGORY, BUT MOST WERE UNAWARE OF EXISTENCE OF NEW LAW UNTIL APPROACHED BY EMBOFFS. LOCAL BANKING SOURCES SHOWED SOME INTEREST IN LAW, BUT ONLY AS INDICATOR THAT GOZ IS TAKING ITS LOCAL DEBT COMMITMENT AS SERIOUSLY AS ITS HARD CURRENCY DEBT. WHILE THE PROPOSED CERTIFICATES WOULD BE NEGOTIABLE, THEY FEEL IT HIGHLY UNLIKELY THAT THERE WILL BE ANY REAL MARKET, NOR ARE THEY LIKELY TO BE USABLE AS COLLATERAL FOR BANK LOANS. ALTHOUGH THIS IS STEP IN RIGHT DIRECTION, GOZ'S ACTUAL COMMITMENT TO TMELY PAYMENT REMAINS TO BE PROVED. GIVEN CONTINUING GOZ DIFFICULTIES WITH BUDGET PROCESS AND MORE IMPORTANT EXPENDITURE CONTROLS, THE EXECUTION OF THIS RESCHEDULING PROGRAM MAY BE MORE THAN THE GOZ CAN HANDLE WITHOUT OUTSIDE HELP.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DEBTS
Control Number: n/a
Copy: SINGLE
Draft Date: 20 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978KINSHA00626
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780032-0099
Format: TEL
From: KINSHASA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780141/aaaabihs.tel
Line Count: 80
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 4923c7e1-c288-dd11-92da-001cc4696bcc
Office: ACTION AF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 25 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3742167
Secure: OPEN
Status: NATIVE
Subject: GOZ COMMERCIAL DEBT - INTERNAL RESCHEDULING BEGIN UNCLASSIFIED
TAGS: EFIN, CG
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/4923c7e1-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014